Parliament succeeds in making the Planning Commission or the Finance Minister agree to provide more funds then automatically the next projects will be selected. H the Railway Ministry is desirous of moving in this direction, when it can complete this project task?

THE VICE-CHAIRMAN (SHRI PAWAN KUMAR BANSAL): Shri Kalpnath Rai.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI SITARAM KESRI): No please. There are many Bills to be discussed. I pray not to give any more time. If you allow one Member, other Members wiH also ask for the time.

SHRI MADHAVRAO SCINDIA: £Hrt the suggestions made by the hon. Members will be certainly examined. Already some suggestions made by hon. Members are either being processed or taken up on priority.

THE VICE-CHAIRMAN (SHRI PAWAN KUMAR BANSAL); The question is:

"That the Bill be passed."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI PAWAN KUMAR BANSAL): The question is:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 1985-86 for the purposes of Railways, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI PAWAN KUMAR BANSAL): We shall now take up clause by clause consideration of the Bill.

*Clauses* 2 *and* 3 *and the Schedule were added to the Bill.*

*Clause* 1, *the Enacting Formula and the Title were added to the Bill.*

SHRI MADHAVRAO SCINDIA: Sir I move:

"That the Bill be returned."

*The question was put and the motion was adopted.*

**I. THE CENTRAL EXCISE TARIFF BILL, 1985.**

**II. THE ADDITIONAL DUTIES OF EXCISE (TEXTILES AND TEXTILE ARTICLES) AMENDMENT *BILL,* 1985.**

**III. THE ADDITIONAL DUTIES OF EXCISE (GOODS OF SPECIAL, IMPORTANCE) AMENDMENT BILL, 1985.**

THE VICE-CHAIRMAN (SHRI PAWAN KUMAR BANSAL): Now. we shall take up the Central Excise Tariff Bill, 1985, The Additional Duties of Excise (Textiles and Textile . Articles) Amendment Bil^ 1985 and The Additional Duties 'of Excise (Goods of Special Importance) Amendment Bill, 1985. Shri Vishwanath Pratap Singh please.

THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH): Sir, I beg to move:

"That the Bill to provide for tariff for Central duties of excise, (Textiles and Textile Articles) Act, 1978, as passed by the Lok Sabha be taken into consideration."

Sir, I also beg to move:

"That the Bill further to amend the Additional Duties of Excise (Textiles and Textile Articles) Act. 1978, as passed by the Lok Sabha, bo taken into consideration."

[Shri Vishwanath Pratap Singh]

Sir, I ateo beg to move:

> "That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1967, as passed by the Lok Sabha, be taken into consideration.

As Honourable Members are aware. Central Excise Duty is now levied at the rates specified in the First Schedule to the Central Excises and Salt Act, 1944. At the time of commencement of this Act, the First Schedule comprised only 11 items. Today, the number of tariff items is 137. Tne levy, which was selective in nature, »o start with became near comprehensive with the introduction of the residuary Tariff Item No. 68 in 4975. Thus, barring a few items like opium, alcohol, etc. in regard to which the Central Government has no jurisdiction to levy excise duties, all other manufactured goods now come under the scope of Central Excise Duties.

Over the years, there has been a phenomenal increase in excise revenues. Yet the process of evolution of the Central Excise Tariff has not followed a steady course. Its growth has been somewhat haphazard, lending an element of ambiguity and uncertainty relating to classification of goods for the purpose of levy of excise duty, leading to avoidable disputes. The Government had felt need for a review of the Central Excise Tariff, so that the areas of conflict between the tax-payers and the tax collectors could be reduced. With this purpose in pursuance of the Budget speech of the then Finance Minister in 1984, a Technical Study Group on Central Excise Tariff was appointed by the Goernment. One of the tasks assigned to the Group was to formulate a new Central Excise Tariff which could bring about greater alignment with the customs tariff and other related schemes of Classification, which are in force today, as also to consider whether the Central Excise Tariff which now forms part of the Central Excises and Salt Act, 1944, could be enacted as part of a separate Central Excsie Tariff Act. This Group submitted its report on the 30th September, 1985 and copies of this report are available in the Library of Parliament. A revised Central Excise Tariff forms part of this report. The Group had considered various options and held deailed discussinos with the trade and other interests as also with the departmental officers before recommending the revised Central Excise Tariff.

The tariff suggested by the Study Group is broadly based on the nomenclature known as the "Harmonised Commodity Description an<* Coding System" evolved under the auspices of the Customs Cooperation Council, Brussels.

The Group has, however, recommended certain modifications in Harmonised System nomenclature sO that the excise tariff meets the domeslftc 'itetajuijrcments^ Beaidc^, the concept of "manufacture", which is important fan the Central JExcise levy, had to be dovetailed in the Tariff and goods Which are not excisable had to be kept out of its scope. The Group has also recommended that there should be a separate Central Excise Tariff Act and the new Centra* Excise Tariff should form part of ft, instead of, its being part of the Central Excise and Salt Act, 1944, as is the case now.

In consideration of these recommendations of 't'ne Group "a new Cenral Excise Tariff has ibeen proposed through the Central Excise Tariff Bill, 1985. which is before the House. The new tariff is generally patterned on the tariff recommended by the Technical Study Group though the tariff has been more closely aligned to the Harmonised system of Nomenclature; in particular, for the later Chapters, the heading entries as in the Harmonised S^iS^em ihave foteeni (adopted.

The scope of Chapters in which the nomenclature has been divided is broadly the same as in the chapters having the corresponding number in the harmonised system of nomenclature. In the headings, a departure hag been made where necessary in consideration of the fact that our manufactures are not as varied or as sophisticated as requiring very detailed sub-classifications. The classification with also be governed by a set of interpretative rules for facilitating such classification.

The proposed tariff would have several advantages: —

(a) The nomenclature is based on an internationally accepted nomenclature, in the formulation of which all relevant factors, technical and legal, have been appropriately taken into consideration.

(The Vice-Chairman (Shri M. P. Kaushik) in the Chair.

(b) The Section and Chapter notes and the incorporation of rules of interpretaition would limit the areas of dispute.

(c) The nomenclature would provide a detailed statisfical base, ideally suited for computerisation, which would help in policy formulation.

(d) The products manufactured within the country would get covered under a definite heading. The classification problems that arise out o* a residuary 'nondescript' Tariff Item 63 covering all goods not elsewhere specified would thus be eliminated.

(e) With the introduction of the proposed Central Excise Tariff, the charging of countervailing, customs duty on imports would be greatly facilitated, in view of the broad two-digit correspondence between the Central Excise Tariff and the Customs Tariff since legislative action is being taken separately to align the customs tariff on the basis of Harmonised System of Classification.

The proposed tariff provides the scheme for purposes of levy of Central excise duty and deals with the nomenclature fo$_r$ classification only. It is not intended to bring about any change in the existing rates of duty. If there are any unintended changes in the rates of duty from what is now in force, these will be corrected before bringing, this Tariff into force, which may, by and large, be synchronised with the financial proposals of the Government in the Finance Bill, 1986. This would give sufficient time for the departmental officers and the trade to become conversant with th new tariff nomenclature. For his purpose, it is proposed to organise seminar oi the new Tariff throughout the countiy. If 4 P.M. during the discussion in these seminars any unintended hardshin is noticed *at* suggestions for further improvement of the tariff emerge, these would be considered for appropriate action within the broad framework of the Harmonised System and effect to in the Budget Session of Parliament.

In the Central Excise Tariff Act [a] new provision is proposed to be made in Section 3, under which the Government wiH be given powers to enhance the rate of duty through notification in certain circumstances. This provision is analogous to the provisions relating to imposing or raising of protective import duties and export duties. The increase in duty will, however, be subject to certain limits. Such powers will be exercised only when circumstances warrant a quick response such as to correct any imbalance in budgetary provisions that might arise out of trade practices or legal pronouncements. Notifications bringing into force such increases would be subject to the approval of Parliament.

As a sequel to the replacement of the first Scheduled to the Central Excises and Salt Act, 1944. by the Schedule to the Central Excise Tariff Bilk 1985, it is neeessary to carry

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out consequential changes in the bills, namely, the Additional Duties of Excise (Goods ol Special Importance) Act, 1957 and Additional Duties ol Excise (Textiles and Textiles Articles) Act, 1978 because the entries in the Schedules to these two Act$_s$ are based on the existing Central Excise Traiff.

Sir, I move that these three Bills may be taken into consideration. I would appeal to the House that the purport ol the Bills is very clear and beneficial to the economy and, therelore, the Bills be passed as such without so much ol a debate, and I don't think there are many changes going to be suggested. With these words I commend these three Bills Ior consideration ol the House.

*Tlie questions were proposed.*

SHRI NIRMAL CHATTERJEE (West Bengal): Mr. Vice-Chairman perhaps breaking the past traditions may I begin with a welcome? This is a welcome Bill in general. I have no doubt about that. In lact, henceforward much ol the Auditor General's work on mis-classification and the bulk of reports that they produce every year would be reduced. The Public Accounts Committee was quite seized of the matter and everytime they were suggesting some kind of standardisation and standardisation is the rage ol the time. Certainly it will help. In lact, computerising things also helps. But I would have concluded here itself but for some other considerations...

SHRI VISHWANATH PRATAP SINGH: I would suggest not to have second thoughts.

SHRI NIRMAL CHATTERJEE: No, it is not part of second thoughts that I am giving; I am giving here part of my first thoughts. For one thing, in the past it has also been noted that misclassification is not the only rub. We demanded in the past that sometimes the misclassification was deliberate. I vividly remember one particular case where a cosmetics product was being included under the category of 'medicines' and Rs. 5 crores of excise was evaded in the process. Such things happen and such things happen in collusion. But what is provided for i$_n$ the other Bill is very dangerous. That is what I want to draw your attention to. This happened in the past too in collusion with the people in the Government with the people in the administration. The rates were deliberately manoeuvred. You say that it has been provided that variation ol not more than 50 per cent not more nan double the normal rate, will be permitted. When you say that I am somewhat alraid. Even when there is a Session ol Parliament what is never done is done, and that is why it is very difficult to catch on the spot. You never state the reasons. You say duties have been varied in this manner. If associated with tfiat are explicitly stated the reasons why variations have been introduced in any excise rate is made compulsory, perhaps much of the abuses involved in such actions can be eliminated. This is one thing to which I wanted to draw the attention of the Finance Minister.

Thirdly I utilise this opportunity—I say I utilise this opportunity—t© enquire of tlie Finance Minister when he is going to introduce the Consignment Tax Bill. He has promised it in the earlier sessions and this session is on its way out.

Th$_e$ fourth point that I want to make is that he has to reduce tbe stages of taxation. Perhaps that will come in the long-term fiscal policy. I want to ask whether he is going to reduce the stages af taxation in the-

-whole gamut of Excise Duties. I have got a few more points to make.

This is only standardising the whole thing and it is a matter for gratification. But I would like to know whether, he would take the first opportunity to raise tlie duties on luxuries and reduce them on the nesessities. One of the problems with Excise Duties is this- The conventional economic teaching Bays that the more inelastic the demand is the more he can cohect by way of Excise Duties and the problem is that those commodities which are the basic necessities are the most inelastic commodities that we consume and in this game, we are often led to certain difficulties. Once an enterprise is established, you will have to face certain problems in this regard. Suppose a car factory is established. Then they will say, "I cannot sell unless you reduce the duty." Then wou will have to do that thing because if they cannot seil, there may be retrenchment, there may be closure and there may be pressure from other sides also. So, once you go along the line of misutilising of resources in the contex of the needs of our economy, then it is very difficult to go gack. Therefore I would like to request now, utilising this opportunity, that a *de-nove* study should be made as to whole the Excise Duty should be raised and where it should reduced. This should be done. I am saying this because he has also made a statement that in the next Plan one of the targets should be that the proportion of collection from the dircet taxes should be more than what it is today.

In conclusion, I wiH also suggest one thing more: There is s<-'°Pe for standardisation in other spheres also. Then why have these additional Bills? It is perfectly possible to have one Central Bill, instead of having all these Bills. There is scope for standardisation there also.

With these words, Sir, I conclude.

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK): There is nobody to speak. Now, the honourable Finance Minister to reply.

SHRI VISHWANATH PRATAP SlNGH: Sir, I thank the honourable members for their silent co-operation. It is not what they do not share their views with us. But I take it that they fully endorse the Bill and the proposals before the House. I also thank Mr. Nirmal Chatterjee because he has raises certain basic points and very pertinent points.

It is right that the Public Accounts Committee has several times pressed for standarisation and we have come with this Bill the benefits of which I have already enunciated. Now, the point that was made is that the rates can be manouvred and the reason should be given as to why changes are made. If we start giving reasons alongwith it there will be quite a number of expert lawyers who will advise their clients to go to the courts and so, I think that will not yield us any thing. The basic message of the honourable Member is that there should be greater care and there should not be any frequent changes and that a study should be made. He has said that there should be stability. Sir, this message is well taken.

Now, about the Consignment Tax Bill, about which the honourable Member asked, the Gvernment is seized of the matter and we have had corresondence with the Chief Minisetrs and a very good response has come.

And we are examining it in consultation with the Home Ministry,

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because it also relates to Centre-State relationship. Now, the stages of taxation and its rationalisation, that is a very valid point and we are rmdertaking this exercise and we I want to introduce some of the steps during the coming Budget and we have to phase it out over in the successive Budgets, because the phasing of the reforms in indirect tax cannot be done in one go, because many a time will also involve temporary revenue loss. So we have to even it out and we are making a detailed study of rationalisation of indirect tax.

Now, many a time the argument is presented to us; reduce excise terwise the industry will not run. Many a time, as Shri Nirmal Chatterjee said, the problem is very much outside the tax area and solutions are tried to be presented in the tax area. In many areas if you put zero tax, even then the problem remains. The problem is not so major. But there is lobbying pressure to try to get it reduced or get it excused. It is said that the Government is the main culprit, but there are other structural problems in the industry itself and other problems outside.

Now, we are also committed to increase direct tax ratio as in the Plan. And this is our commitment also. We should not confuse the tax ratio with tax rate. While the tax ratio can very well be improved by propoer collection, buoyancy and more sound measures, we (jo hope, it will be our endeavour to improve the direct tax ratio as in the Plan.

SHRI NIRMAL CHATTERJEE (West Bengal): By better implementation we wiH give you better collection of excise also once you..

SHRI VISHWANNATH PRATAP SINGH: Why have so many forma of duty why not integrated? That point is well taken. And I think there is need for reform in that area and we will be coming with a specific response in this direction before the House.

With these words, I may again thank the hon. Members who have not spoken. *(.Interrwptions)* I know that a few Members wanted to speak. I will take it as a contribution to the Bill and I would request the passage of the Bill.

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK): Tlie question is:

"That the Bill to provide for tariff for Central duties of excise, as passed by the Lok Sabha, be taken into consideration."

*The* motion *was adopted.*

THE VICE-CHAIRMAN: Now, we shall take up clause by clause consideration of the Bill.

*Clauses* 2 to 4 *and the Schedule were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI VISHWANATH PRATAP SINGH: Sir, I move:

•'That the Bill be returned."

*The question was put and the motion was adopted.*

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK); Now, the question is-

"That the Bill further to amend the Additional Duties of Excise; (Textiles and Textile Articles) Amendment Bill. 1970, as passed by the Lok Sabha, be taken into consideration."

*The Motion was adopted.*

THE VICE-CHAIRMAN: Now we shall take up clause by clause'consideration of the Bill.

*Clause* 2 *was added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI VISHWANATH PRATAP SlNGH- Sir, I move:

"That the Bill be returned."

*The question was put and ihe motion was adopted.*

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK): I shall now put the motion regarding the third Bill- The questio^ is:

"That the Additional Duties of Excise <Goods of Special Importance) Amendment Bill, 1985, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK): Now. we shall take up the clause-by-clause consideration of the Bill.

Clauses 2 to 4 *were added to the Bill.* j

Clause 1, the *Enacting Formula and the* Tit Ii* *w0re added to* the Bill.

SHRI VISHWANATH PRATAP SINGH: Sir, I move;

"That the Bill be returned."

*The question was put and the* motion was adopted.*

## I. THE AGRICULTURAL AND PROCESSED FOOD PRODUCTS EXPORT DEVELOPMENT AUTHORITY BULL, 1985

## H. THE AGRICULTURAL AND PRO-CESSED FOOD PRODUCTS EXPORT CESS BELL, 1985

THE VICE-CHAIRMAN (SHRI M. P. KAUSHIK): Now, we shall take up the next two Bills. Shri Khurshid Alam Khan.

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KHURSHID ALAM KHAN): Sir, I beg to move:

"That the Bill to provide for the establishment of an Authority for the development and promotion of export of certain agricultural and processed food products and for matters connected therewith, as passed by the Lok Sabha, be taken into consideration."

Sir, I also move:

"That the Bill to provide for the levy and collection, by way of cess, of a duty of customs on the export of certain agricultural and processed food products for the development and promotion of their export and for matters connected therewith, as passed by the Lok Sabha, be taken into consideration."

Sir, it is proposed to establish an Authority for the development and promotion of exports of certain agricultural and processed food products. I suppose I shall be stressing the obvious if I emphasise the importance of these items in our export basket. It is a known fact that at present the share of these products in our total exports is only 25 per cent while the prospects are enormou$_s$ which have to 'be exploited adequately.

Sir, at present, the Processed Foods Export Promotion Council looks after the exports of the products. It is a fact that the Council does not have any statutory backing to undertake quality control and this aspect needs special attention. The Council is also not well-equipped to generate production of value-added products or to effectively promote thedr export